

Evolution of the Business Plan in Contemporary Business

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ABSTRACT: A business plan is made with the aim of analyzing the position, the possibility of improving the existing product range, or introducing a new product, assessing the profitability of a completely new production program, and in recent years mostly to obtain funding from banks, funds, investors or business partners. Today's business plan is not a set of formal documents, but the first step in planning, part of a process that includes regular review. The great social responsibility of a modern organization in terms of sustainable development, preservation and protection of the environment, requires proper and strategic planning and development of business idea. The best framework for formulating such an idea is in a sustainable business plan. This paper aims to analyze the content of a sustainable business plan, its strategic approach, and confirm its importance for the quality support of sustainable business organization.

KEYWORDS: business plan, organization, sustainable business plan, entrepreneurship, small business

Introduction

Globalization, the information society and irregular regional development impose great challenges on business organizations and financial investors. Entering the 21st century has created a new dynamics in the relationship between producers and customers, by engaging customers directly in the production process or value distribution. Huge investments in modern, state-of-the-art technologies open up new areas of scientific research and create more business opportunities globally. In order to survive in this era of accelerated competition and strong constraints imposed by today's markets, business organizations must become more innovative and often redesign their business plans and processes following new and flexible models and strategies (Marinović Matović 2019).

The business plan has always been crucial for organizations with a new or existing business (Karlsson & Honig 2009). It is composed of a series of written documents that have a strong impact on all functional business areas, and determine the future value of key performance indicators. A business plan addresses all important issues that start with a vision, mission and strategy, and go through operations, management, marketing and more. Of course, business plans can vary depending on certain business domains, business volume or target audience; however, they usually adhere to regulated business processes.

A business plan is in its simplest forms a type of path that allows business organizations to clearly outline their business goals and the way they intend to achieve them. Business plans have evolved from its inception to the present day and therefore there are different types of business plans with its many variations that are used and applied in the business world. With the strengthening of new waves of sustainable economy, business plans must reflect both the social and environmental sustainability of the business organization (Lubin & Esty 2010).

Need for organizational planning

Business planning is a business discipline whose main purpose is to determine business goals and activities whose consequences would be precisely the achievement of set goals. It is used for the purposes of managing and coordinating activities and communicating with internal and external participants. The key reason why organizations plan is that planning helps they achieve their goals. Organizations plan to anticipate what actions they need to take and how to mobilize organizational resources in order to achieve what is set. Quality planning contributes to the success of any organization. Planning should ensure that organization knows why it exists and what its main area of

activity is, that it knows what its pros and cons are, that it knows what opportunities and threats its external environment poses, that it can identify and establish appropriate performance standards, that it has a set of rules of conduct to be followed by employees in meeting organizational goals (Buble 2006). Reasons for planning can be better organizational targeting; greater flexibility; better work coordination; minimization of risk and uncertainty; focus on the future and change; better control over the development of managers and other participants in planning (Buble 2006).

Lack of planning or insufficient quality planning causes making bad decisions, taking wrong steps, poor coordination of efforts and poor cooperation of organizational units, scattering of resources and less focus on the most important, and less efficiency, effectiveness and generally poorer organizational results. Organizations often understand the importance of planning, setting a clear organizational mission, defining goals, developing strategies and plans, only when problems arise. When planning, accurate data and information must be collected and planned as accurately as possible. Care should also be taken not to spend too much time on planning. All employees, from top management to everyone else, should contribute to the planning.

Conventional business plan

Conventional business plan is a document that contains information about the current state of organization in business terms, its position in the market, as well as the set goals and possible directions of development that are to be achieved. It is a study that contains the basic elements of a business venture and which allows potential investors and financiers faster consideration of the presented venture and easier decision-making on possible financing, or participation in its implementation (Lajović 2010). Conventional business plan is a planning document that defines the direction of the future business action of the organization for a certain period of time (Kaličanin 2003). According to Todorović (1998), it is a set of goals, policies, strategies and a set of individual programs of activities for the implementation of the chosen business concept. According to Vučenović (2008) a business plan is a summary of past, present and future activity of an organization and represents the basic tool of an entrepreneur in achieving a goal. According to Stankov et al. (2015), a business plan serves to establish communication between entrepreneurs and sources of funding and their initial introduction.

Technically, a conventional business plan has a strict set of rules and a template to follow. The best types of business plans are dynamic, because they change over time in accordance with changes in the market and changes in organization's own business. In case of starting a new business or expanding an existing one, when additional capital is needed, it is necessary to turn to an external source for financing. The first thing needed to raise additional capital is a business plan. If the business organization has already achieved successful business, and it is necessary to finance expansion into a new market or to introduce a new product or service, the business plan will illustrate successful business operations in previous years. Such records provide strong support for the projections made in business plan, in connection with the new business venture of organization. As with existing business, a business plan is also necessary to finance a startup business. This is one of the first things a potential lender will require, in addition to having the collateral to secure the investment in startup organization. A good idea presented in a carefully crafted business plan is a very convincing tool.

Investment banks, potential investors or shareholders, any stakeholder who would be a potential investor, will require certificates of return on investment. The business plan shows how the invested money will be used and what investors, but also the business itself, can expect in return. Starting or founding a business organization turns a thought or idea into a concrete business and requires a clear vision where goals are set and obstacles that may arise during the process that will ensure the success of the organization.

The business plan is not intended as a static document. As the business grows and develops, so should the business plan. The annual review of the plan allows the organization to update it when it takes into account the situation in the market in which it operates. It also provides an opportunity

to look back at what has been achieved and what has not. A business plan is a living document that grows and develops with business.

Business plan users

A business plan with its information must satisfy internal users within the organization, as well as external users who are interested in the organization. External users of business plan information are those to whom organization turns for cooperation and realization of set goals, whether financial resources or long-term business cooperation is expected in the procurement of raw materials or sale of products. They are interested in gaining a picture of the capabilities and strength of organization, with which they are starting financial cooperation, through the information provided by business plan. For this reason, the information in the business plan must meet the criterion of comprehensibility (information must be presented so that users can understand it), the criterion of relevance (express information that is important to users for decision making), the criterion of caution (when creating a business plan and projection of certain sizes, the requirement is to choose the variant that will result in poorer financial results), and the criterion of reliability (projected sizes in the business plan must be based on reliable and credible information) (Paunović & Zipovski 2013).

The information provided by business plan has a wide range of users, and the most common users are the organization, top management, suppliers, customers, creditors, investors, employees and shareholders.

The organization analyzes the business plan to gain a better insight into the current situation and current market position, and by simulating the project predicts the possibility of development, and checks the probability of success, determines potential profitability, avoids investing money and time in unprofitable businesses, and provides information base to interested users. The business plan of the top management serves as a guide to future activities in its implementation, while the information in the business plan represents the standards for which the top management advocates through the daily activities operationalization. In addition, the business plan enables timely identification of problems in implementation and correction of actions. Existing (and potential) suppliers and customers, based on information from the business plan, decide on long-term cooperation with organization. Lenders and investors through the business plan observe the current business results through business history, reputation, employees as well as financial structure, stability, liquidity, profitability, which will enable the realization of the planned results in the business plan and ensure return on investment.

Given the large number of potential users of business plan, it is necessary to consider at least three perspectives independently of the users of information. This is primarily the perspective of the organization; it is the most important because, based on the business idea and indicators of current situation, the organization through the business plan will have the opportunity to present its business venture to all users. The market perspective is important because when compiling a business plan, the venture must be viewed from the perspective of customers and suppliers, and the success of the organization should be shown on a market basis. The perspective of investors should also be taken into account because investors should be provided with convincing and realistically based information on business operations, as well as a projection of basic financial parameters, and thus provide insight into the security of return on investment (Nielsen 2014).

Internal use of business plan

Internally, business plan is used to compare the current activity with the planned one and to take corrective actions in a timely manner, if it is determined that certain deviations are present. Systematically developed and regularly updated business plan, with in-depth insight into all business issues, helps management to effectively plan the development of organization and prepare the necessary modification measures in a structured way. Such a business plan can serve as a guide for day-to-day decision-making and as a control tool in ongoing business management. The joint implementation of the

business plan by the management team ensures the overall commitment to the goals and controls of organization. Achieving this commitment at the management level is paramount to the successful implementation of the plan. From the information about the achieved results, the employees gain security and trust in organization and get acquainted with the future distribution of profits. Shareholders gain confidence in the stability of their share prices, receive information on possible dividend increases and decide on possible new purchases of shares.

Business plans significantly contribute to the development of organizations that have branches in different locations. By using business plans for each branch, top management can on the one hand guarantee business planning related to the location, and on the other hand, continuously monitor performance as well as the achievement of business goals. In addition, the long-term goals of the entire organization can be balanced by these indicators.

Business plan evolution

The “business plan” term has lately suffered from a misunderstanding of the business plan only as a formal document. Business plan format develops as tools and opportunities evolve, so today’s business plan is valuable as always, but not as a set of formal document, but as a first step in planning, to be part of a process that includes regular review.

Today, there are a number of applications that help write a business plan, provide guidance and show what a business plan should look like and what it should contain in each section. They also contain tutorials for strategic business planning as well as professional sampling of business plans, financial projections and other reports. A large number of samples of business plans can also be found which can be copied and modified to suit the relevant industry. Also various organizations offer the services of their business and legal experts to better understand the complex aspects of the organization's business when writing a business plan.

To clearly show the orientation of business organization for sustainable business, a business plan must evolve and meet some other criteria. Sustainable business is a business that uses renewable sources (environmentally sustainable), takes into account the impact of its activities on human aspects (socially responsible) and such business must be able to cover its costs and generate profit (economically viable) (Todorović 2011). The elements that should be contained in a sustainable business plan have already been emphasized in this definition. The green idea must emphasize its contribution to society and the environment in business plan itself (Long 2019). A sustainable business plan must explain in each segment how the organization will preserve or improve the environment, and promote social justice and equality. A sustainable business idea must serve as an example to other organizations how to do business environmentally and socially responsibly (Nosratabadi 2019).

Concerning the product description, business plan should answer the following questions: Is it possible to use local sources of raw materials for production? Is it possible to use recycled materials? How can the amount of waste generated during the product life cycle be minimized? Is it possible to include people with disabilities or special needs in the work? Will services reduce greenhouse gas emissions? Are opportunities opening up for job creation? Are customers educated about environmentally friendly products? Are customers given the opportunity to reduce their environmental impact? How will the improvement of energy efficiency in the organization be affected? How will employees be educated about green initiatives in the workplace? How will responsible procurement be conducted? How will the conservation of natural resources be affected? How will the amount of waste generated in the organization be reduced? (Green Business Plan Guide 2020).

Conclusions

The business plan, in addition to providing benefits in securing financing, cooperating with suppliers and customers, and introducing potential employees to the business, also serves as an

organizational guide. This contributes to the chronological organization of business-critical events, so that one cannot progress in business activities without the necessary conditions that must be met.

A business plan provides two important benefits in terms of managing an organization. First, it helps plan for the future. This means identifying the essential events that must occur and the actions need to be taken to lead and operate the organization. It therefore serves as a schedule that provides specific goals and deadlines.

Second, it identifies and analyzes internal and external factors that can affect business. Some of these factors are beyond the control of internal management, including economic conditions, weather conditions, changes in technology, competitors, etc. It also includes issues unique to the organization's business, such as staffing and recruitment, management policies, estimated cash flow, etc. The written plan provides a mechanism for linking all of these factors and managing them effectively.

A business plan also contains two important elements, each of which is essential for success in a business venture. Marketing strategy identifies the target market and explains how to position the product or service to reach the customer. Specific advertising and promotional activities will be related to sales goals. Operational plans address the way in which an organization conducts activities on a daily basis. A good business plan also includes a significant amount of detail regarding cash flow projections. These projections help determine whether a business will meet its obligations to suppliers and other associates in relation to goods or services. Most of these projections are directly related to the planned operational results.

A business plan does not ensure automatic success, but it certainly makes a major contribution to avoiding some common causes of business failure, such as undercapitalization or lack of an adequate market. When preparing a business plan, one can see weak points in the business idea, which can be corrected. You can also discover various potential areas that no one has thought about before, and how to use it to make a profit. Only by making a business plan can a decision be made as to whether a great idea is really worth the time and investment.

Following the guidelines obtained from conventional business plans, for writing sustainable business plans, ensures that a green business idea really becomes and remains, because it encourages the business organization to think in an environmentally responsible way from the beginning of designing the business project and apply sustainability principles in all business operations. As such, a sustainable business plan can indeed serve to make a sustainable business idea profitable, with a parallel positive impact on the environment.

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